

Ms. Kathleen Ryan

September 9, 2010

Re: Financial Reform Bill
Appraisers and AMCs

Dear Ms. Ryan:

I have been a residential appraiser for twenty years in the Puget Sound area. I have worked long and hard to build a clientele based on doing the extra for them in terms of service whenever it was needed. I was able to negotiate my fee and give them a lower cost when it meant that they would get the applicant so we both had work. But I had a choice of whether to change my business procedures or not and it was truly a business decision. Appraisal management companies have gagged appraisers with low fees, ridiculous turn around times, etc.

While I understand that separation and no pressure is desirable, since FIRREA the pressure has been greatly reduced and those that do pressure me don't get my services again. There is never just one value for a property, but always a range. If someone wants me to revisit my report, I am happy to do it and ask if they have any other sales they know of that I may have missed. There is about a 10% miss between county data information and the Multiple listing services due to mistyped addresses, names or just slow updating so I am always willing to look again. A better solution for getting rid of bad appraisers would have been to have half of appraisals field reviewed. This would have created more work and weeded out the poor appraisers.

Since May 1, 2009 I have lost about 75% of my work. Even though banks are not required to use management companies, about 80% of them have chosen to do this and have gone from paying \$450 to \$250. What is worse is that the consumer is charged about \$600 with the AMCs pocketing the rest of the cost. Additionally, the AMCs strip the data out of my report and builds an AVM electronic database thereby giving them another item they can sell to value properties.

I could take all the above, but the fact that appraisers' fees are being reduced 50% for the management companies to do this work is not acceptable. Why should I pay for something that is being outsourced by the bank/lender? They are the ones who should pay for this service. I would be willing to give up \$25 or \$50 in order to help institute a new process, but I am being punished by these low fees. Also, I am not able to have any kind of a free market left for me in which to operate my business. This is a complete restriction of trade in one targeted industry.

A homeowner saw my website two days ago and contacted me to do her appraisal. I give a \$50 coupon if you order online. I told her I didn't think she could designate me as the appraiser anymore, but she insisted I call her lender. The lender also thought I could call the AMC their company was using so I persisted and phoned two or three times until I reached someone there. They informed me that neither the homeowner or the lender could pick me and that they pay under \$250 and "have lots of appraisers that will work for that amount". So now all my marketing and relationships are gone; I can't negotiate my fee and the AMC's are setting my fee..

Now we will have another group of people (appraisers, loan officers, real estate agents, loan processors, escrow companies) who will lose their houses because they don't have the income to pay their bills as fewer loans are completed and they are forced out of the marketplace. What is worse is that we have a group of people who are uninformed and have no experience in the housing market who have power over the group who is providing valuations!!! Crazy.

I know that many of the older appraisers are leaving the field ten or twelve years early. This will slow everything down more because there won't be enough appraisers to handle the volume of loans. Some are saying we can't say we won't work for under \$XXX because we will be price fixing. This is exactly what the AMC's have done by telling me what they will pay.

There are three or four AMC's in this area that have been started by appraisers. They pay close to full fee and charge the lender the difference. However, they will not be able to compete with the bank owned AMC's (a conflict of interest isn't it?) because of their captured market and customer base at the banks' branches. It started out that banks could only own 30% of AMC's, but that rule is gone. How is it that Cuomo, who is on the board of an AMC, could make a deal with FNMAE and FreddieMac to stop investigating what they did wrong (buying loans with no down payment) if they would go along with his rules? The housing bubble would not have happened if lenders had to keep no down payment loans in their own portfolios. This started it all. The rules Cuomo made benefit AMC's and banks by taking a chunk of our money and keeping it for more profit. Appraisal fees have not changed much in the last fifteen years while all the other mortgage related fees have gone up. Why are we being cheated and punished?

The only aspect of the financial reform bill that was a bright spot for appraisers was the rule that we had to be paid usual and customary fees based on independent surveys that did not include what AMCs have been forcing on us the past year and a half. Now I see that TAVMA has written a letter saying there is no basis for these surveys.

The implications that the AMCs don't want to happen by continuing to restrict our fees is that they will not be able to stay in business. The TAVMA letter states that customary and reasonable fees should not be implemented because it does not help appraiser independence. What you may not know is that although AMCs keep a list of people who have applied with them, if you don't change your adjustments or take comparables out of a report at their request, they don't order from you again. When you call to ask why, they either say there's no work or that there is nothing wrong with your profile, but you still don't receive orders. Also, they allow lenders to each have their own list with no minimum number of appraisers. So they could have only two appraisers on their list and effectively still choose the appraiser.

Saying there are no authoritative surveys is absurd. You only need to ask twenty or thirty appraisers in each area what their normal fees were before May 1, 2009 and you will have a consensus. The letter by TAVMA is now saying that complex or rush jobs should warrant different fees, but they never worried about that before.

In closing, let's impose a management company for all the other industries out there. If they couldn't talk with their clients, manage their businesses and negotiate their own fees, there would be an uproar. Let's tell the politicians that they can only speak about pertinent items when they are matched up with a lobbyist selected by a group of people who have never been in their industry before and by the way, you are paying their salaries and overhead out of your pocket.

Thank you.

Margo Henson, IFA
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